

MEMORANDUM

TO: Commissioners

FROM: Pamela W. Barclay, Deputy Director
Health Resources

DATE: October 15, 2001

RE: *An Analysis and Evaluation of CON Regulation in Maryland-Working Paper: Inpatient Acute Care Hospital Services (Medical-Surgical and Pediatric Services)-Final Action on Staff Recommendation*

Background

At the July 19, 2001 meeting, the Commission considered a *Working Paper: Inpatient Acute Care Hospital Services (Medical-Surgical and Pediatric Services)* and invited interested organizations and individuals to submit written comments through August 20, 2001. In response to this invitation, the Commission received written comments from 12 organizations. Following analysis of those comments, the Commission released for additional public comment staff recommendations on future regulatory oversight of acute inpatient hospital services under the Certificate of Need (CON) program. The two recommendations released by the Commission for public comment included the following:

1. The Commission should continue its regulatory oversight of acute inpatient medical-surgical and pediatric services through the Certificate of Need program.
2. The Commission should recommend to the General Assembly that the current capital expenditure threshold in statute of \$1,250,000 be increased to \$2,500,000 for acute care hospitals.

The Commission received no additional comments in response to this second invitation for public comments.

Capital Expenditure Threshold for Acute Care Hospitals

The former Planning Commission's original enabling statute (Ch. 108, Acts of 1982) set the capital review threshold at \$600,000; this was amended in 1988 (Chs. 688 and 767, Acts of 1988) to \$1,250,000. Beginning in 1995, the capital expenditure threshold was indexed annually to consider inflation. In a revision to CON procedural regulations effective November 6, 1995, the definition of "threshold for capital expenditures" was expanded to add the phrase "for 1995, after that to be adjusted annually by the Commission according to the Consumer Price Index-Urban (CPI-U) for the Baltimore Metropolitan Area published by the U.S. Department of Labor, and rounded off to the nearest \$50,000." After indexing for inflation since 1995, the capital review threshold is now \$1,450,000. In response to discussion at the previous meeting, staff calculated what the capital review threshold would have been had the annual index for inflation been applied beginning in 1982 (rather than 1995). This analysis indicates that the \$600,000 capital expenditure threshold, indexed annually for inflation beginning in 1982, would be \$1.1 million in 2001.

Staff Recommendations

Staff suggests that the Commission recommend to the General Assembly that its regulatory oversight of acute inpatient medical-surgical and pediatric services be maintained through the CON program. In addition, staff suggests that the Commission recommend to the General Assembly that the current capital expenditure threshold in statute of \$1,250,000 be increased to \$2,500,000 for acute care hospitals.